

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 624 - HB 1004

March 17, 2013

SUMMARY OF BILL: Authorizes any local government entity to purchase insurance policies to protect against breach of fiduciary duty by public officials and employees and such policy coverage shall satisfy all requirements for filing individual surety bonds. Such policy would be deemed a blanket bond for each official or office identified in the policy. Requires a certificate of insurance evidencing the officials and offices covered, the amount of coverage maintained, and the type of coverage provided to be filed with the Office of the Comptroller and the County Register.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Authorizing the purchase of insurance policies in lieu of the purchase of surety bonds for local governments may increase tort liability for such local governments. To this extent, local government expenditures could increase if the number of lawsuits against local government entities increase. In addition, there should be a recurring decrease in local government expenditures because the cost associated with insurance policies are deemed less expensive than the cost associated with surety bonds. The extent of any such impacts is dependent upon multiple unknown factors and cannot be precisely determined.

Assumptions:

- According to the Office of the Comptroller, this bill will not fiscally impact the Agency.
- According to the Office of the Comptroller, surety bonds and insurance coverage costs are based on multiple factors such as the amount of the bond or amount of insurance coverage; financial status of the official being covered, internal controls established by the local government, and any prior claims by the government entity.
- According to the Office of the Comptroller, state and local governments could be held more accountable under the government tort liability act with the use of insurance policies in lieu of surety bonds; insurance policies may ultimately be less expensive than surety bonds, but insurance comes with coverage limits and deductibles.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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